

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of River Rouge, Michigan</u>	County <u>Wayne</u>
Audit Date <u>June 30, 2005</u>	Opinion Date <u>December 28, 2005</u>	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): Alan C. Young & Associates, P.C.			
Street Address <u>2990 W. Grand Blvd., Suite 310</u>	City <u>Detroit</u>	State <u>MI</u>	ZIP <u>48202</u>
Accountant Signature 			

City of River Rouge, Michigan

**Financial Report
with Additional Information
June 30, 2005**

City of River Rouge, Michigan

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City of River Rouge, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of River Rouge, Michigan

We have audited the accompanying general purpose financial statements of the City of River Rouge, Michigan as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City of River Rouge, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying general purpose financial statements do not comply with Governmental Accounting Standards Board Statement Number 40, which requires certain disclosures related to the City's cash and investments.

The accompanying general purpose financial statements do not comply with Governmental Accounting Standards Board Statement Number 34. This standard requires the City to present government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. In addition, the combining component unit information presents only modified accrual information. Furthermore, the City has not followed the formatting of separately reporting its governmental funds (including major funds), proprietary funds (including major Enterprise Funds), and fiduciary funds. The City has continued to report information by fund type and account group; the General Fixed Assets Account Group excludes general infrastructure assets and accumulated depreciation. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements and full accrual information for the combining component unit statements. Further, accounting principles require separate fund-based reporting of its governmental funds (including major funds), proprietary funds (including major Enterprise Funds), and fiduciary funds. In addition, accounting principles require the general fixed asset data to include general infrastructure assets, and the accumulation of depreciation of general fixed assets over their estimated useful lives. The amounts that would be reported in government-wide financial statements for the City's governmental activities, business-type activities, and discretely presented component units (including the full accrual combining component unit data), as well as the amounts of general infrastructure assets and general fixed assets accumulated depreciation, are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the general purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of River Rouge, Michigan as of June 30, 2005 or the changes in its financial position or its cash flows, where applicable, for the year then ended.

In accordance with *Government Auditing Standards*, we will also be issuing a report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying general purpose financial statements also do not include a management's discussion and analysis (which would present an analysis of the financial performance for the year) or budgetary comparison schedules with original appropriations for the General Fund and each major Special Revenue Fund. The Governmental Accounting Standards Board has determined that these are necessary to supplement, although are not required to be a part of, the financial statements.

The accompanying general purpose financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 17 to the financial statements, the City has suffered recurring operating deficits and has a significant unreserved, undesignated fund deficit in the General Fund that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 17. The general purpose financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Alan C. Young; Assoc.

December 28, 2005

City of River Rouge, Michigan

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise - Water and Sewer
Assets			
Cash and cash equivalents (Note 2)	\$ 3,929,037	\$ -	\$ -
Marketable securities (Note 2)	-	-	-
Receivables:			
Taxes	351,215	-	100,871
Customers	-	-	1,946,223
Other	9,121	-	-
Due from other governmental units	530,966	269,061	-
Due from other funds (Note 3)	542,813	1,130,831	-
Due from primary government	-	-	-
Prepaid expenditures and deposits	349,591	-	12,284
Real estate inventory (Note 1)	-	110,237	-
Restricted assets (Note 4)	-	-	5,105,688
Land, buildings, and equipment (Note 5)	-	-	42,764,387
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 5,712,743	\$ 1,510,129	\$ 49,929,453

Combined Balance Sheet
All Fund Types, Account Groups, and Component Units
June 30, 2005

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units
Trust and Agency	General Fixed Assets	General Long-term Debt		
\$ 1,549,548	\$ -	\$ -	\$ 5,478,585	\$ 147,082
36,519,897	-	-	36,519,897	-
-	-	-	452,086	-
-	-	-	1,946,223	-
78,937	-	-	88,058	59,734
-	-	-	800,027	-
-	-	-	1,673,644	-
-	-	-	-	148,622
-	-	-	361,875	-
-	-	-	110,237	-
-	-	-	5,105,688	-
-	14,684,433	-	57,448,820	-
-	-	9,590,139	9,590,139	103,884
\$ 38,148,382	\$ 14,684,433	\$ 9,590,139	\$ 119,575,279	\$ 459,322

City of River Rouge, Michigan

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise - Water and Sewer
Liabilities and Fund Equity (Deficit)			
Liabilities			
Vouchers payable	\$ 1,138,604	\$ 355,409	\$ 1,727,760
Due to other governmental units	4,978,340	-	-
Due to other funds (Note 3)	1,124,236	181,226	311,224
Due to component units	148,622	-	-
Accrued and other liabilities	769,660	-	192,115
Deferred revenue	-	130,961	-
Long-term debt (Note 6)	-	-	19,539,250
Total liabilities	8,159,462	667,596	21,770,349
Contingencies (Note 12)	-	-	-
Fund Equity (Deficit)			
Investment in general fixed assets	-	-	-
Contributed capital (Note 14)	-	-	13,395,401
Retained earnings reserved for debt service	-	-	221,033
Retained earnings - Unreserved	-	-	14,542,670
Fund balances (deficit):			
Reserved (Note 15)	690,065	1,124,236	-
Unreserved - Undesignated	(3,136,784)	(281,703)	-
Total fund equity (deficit)	(2,446,719)	842,533	28,159,104
Total liabilities and fund equity (deficit)	<u>\$ 5,712,743</u>	<u>\$ 1,510,129</u>	<u>\$ 49,929,453</u>

Combined Balance Sheet
All Fund Types, Account Groups, and Component Units (Continued)
June 30, 2005

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units
Trust and Agency	General Fixed Assets	General Long-term Debt		
\$ -	\$ -	\$ -	\$ 3,221,773	\$ -
12,192	-	-	4,990,532	-
56,958	-	-	1,673,644	-
-	-	-	148,622	-
47,252	-	-	1,009,027	8,903
-	-	-	130,961	-
-	-	9,590,139	29,129,389	103,884
116,402	-	9,590,139	40,303,948	112,787
-	-	-	-	-
-	14,684,433	-	14,684,433	-
-	-	-	13,395,401	-
-	-	-	221,033	-
-	-	-	14,542,670	-
38,031,980	-	-	39,846,281	186,697
-	-	-	(3,418,487)	159,838
38,031,980	14,684,433	-	79,271,331	346,535
<u>\$ 38,148,382</u>	<u>\$ 14,684,433</u>	<u>\$ 9,590,139</u>	<u>\$ 119,575,279</u>	<u>\$ 459,322</u>

City of River Rouge, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) All Governmental Fund Types and Component Units Year Ended June 30, 2005

	General Fund	Special Revenue Fund	Total Primary Government (Memorandum Only)	Component Units
Revenue				
Property taxes	\$ 8,370,743	\$ 1,240,796	\$ 9,611,539	\$ 15,342
Licenses and permits	409,600	-	409,600	-
Federal sources	14,110	489,636	503,746	-
State sources	1,550,975	554,509	2,105,484	-
Charges for services	310,097	-	310,097	-
Fines and forfeitures	344,794	-	344,794	-
Interest	94,476	11,889	106,365	7,677
Other	823,667	688,655	1,512,322	227,765
Total revenue	11,918,462	2,985,485	14,903,947	250,784
Expenditures				
General government	2,114,485	-	2,114,485	-
Public safety	3,957,144	-	3,957,144	-
Public services	939,743	939,112	1,878,855	-
Street lighting	248,377	-	248,377	-
Culture and recreation	343,212	286,390	629,602	-
Drug enforcement	-	82,224	82,224	-
Highway and streets	-	518,456	518,456	-
Economic and community development	-	806,675	806,675	266,270
Other functions	4,360,473	-	4,360,473	-
Debt service	426,383	-	426,383	125,551
Total expenditures	12,389,817	2,632,857	15,022,674	391,821
Excess of Revenue Over (Under) Expenditures	(471,355)	352,628	(118,727)	(141,037)
Other Financing Sources (Uses)				
Proceeds from issuance of long-term debt	-	-	-	110,000
Operating transfers in	81,184	101,076	182,260	-
Operating transfers out	(5,111)	(177,149)	(182,260)	-
Operating transfers from primary government	-	-	-	69,115
Operating transfers to component unit	(69,115)	-	(69,115)	-
Total other financing sources (uses)	6,958	(76,073)	(69,115)	179,115
Net Change in Fund Balances (Deficit)	(464,397)	276,555	(187,842)	38,078
Fund Balances (Deficit) - July 1, 2004	(1,982,322)	565,978	(1,416,344)	308,457
Fund Balances (Deficit) - June 30, 2005	<u>\$ (2,446,719)</u>	<u>\$ 842,533</u>	<u>\$ (1,604,186)</u>	<u>\$ 346,535</u>

City of River Rouge, Michigan

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 8,538,896	\$ 8,370,743	\$ (168,153)
Licenses and permits	378,573	409,600	31,027
Federal sources	14,111	14,110	(1)
State sources	1,551,243	1,550,975	(268)
Charges for services	328,550	310,097	(18,453)
Fines and forfeitures	310,000	344,794	34,794
Interest	50,000	94,476	44,476
Other revenue	844,524	823,667	(20,857)
Transfers from other funds	199,675	283,619	83,944
Total revenue	12,215,572	12,202,081	(13,491)
Expenditures			
General government	2,054,624	2,114,485	(59,861)
Public safety	3,983,396	3,957,144	26,252
Public services	1,161,579	1,142,178	19,401
Street lighting	247,961	248,377	(416)
Culture and recreation	318,614	343,212	(24,598)
Drug enforcement	-	-	-
Highways and streets	-	-	-
Other functions	3,953,900	4,360,473	(406,573)
Debt service	426,383	426,383	-
Transfers to other funds	-	5,111	(5,111)
Transfers to component units	69,115	69,115	-
Community development	-	-	-
Total expenditures	12,215,572	12,666,478	(450,906)
Excess of Revenue Over (Under) Expenditures	-	(464,397)	(464,397)
Fund Balances (Deficit) - July 1, 2004	(1,982,322)	(1,982,322)	-
Fund Balances (Deficit) - June 30, 2005	<u>\$ (1,982,322)</u>	<u>\$ (2,446,719)</u>	<u>\$ (464,397)</u>

**Combined Statement of Revenue, Expenditures, and
Changes in Fund Balances (Deficit) - Budget and Actual
General and Special Revenue Fund Types
Year Ended June 30, 2005**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,232,500	\$ 1,240,796	\$ 8,296
-	-	-
699,000	489,636	(209,364)
549,900	554,509	4,609
-	-	-
-	-	-
10,900	11,889	989
314,500	688,655	374,155
95,250	101,076	5,826
2,902,050	3,086,561	184,511
-	-	-
-	-	-
959,000	939,112	19,888
-	-	-
250,350	286,390	(36,040)
114,500	82,224	32,276
568,300	518,456	49,844
-	-	-
-	-	-
95,250	177,149	(81,899)
-	-	-
862,000	806,675	55,325
2,849,400	2,810,006	39,394
52,650	276,555	223,905
565,978	565,978	-
\$ 618,628	\$ 842,533	\$ 223,905

City of River Rouge, Michigan

Combined Statement of Revenue, Expenses, and Changes in Retained Earnings - Enterprise Fund Water and Sewer Year Ended June 30, 2005

Operating Revenue - Customer billings	\$ 3,324,567
Operating Expenses	
Cost of water	500,570
Cost of sewage disposal	617,657
Water operations	374,783
Sewer operations	1,501,513
Depreciation	990,245
Total operating expenses	<u>3,984,768</u>
Operating Loss	(660,201)
Nonoperating Income (Expenses)	
Property taxes	2,196,453
Investment income	61,315
Miscellaneous revenue	28,468
Federal revenue	737,036
Federal expenditures	(14,536)
Interest expense	<u>(829,460)</u>
Total nonoperating income	<u>2,179,276</u>
Net Income	1,519,075
Retained Earnings - July 1, 2004	13,686,355
Less Federal Revenue Recorded as Contributed Capital	(722,500)
Add Depreciation on Contributed Capital	<u>280,773</u>
Retained Earnings - June 30, 2005	<u><u>\$ 14,763,703</u></u>

City of River Rouge, Michigan

Statement of Cash Flows Enterprise Fund - Water and Sewer Year Ended June 30, 2005

Cash Flows from Operating Activities

Operating loss	\$ (660,201)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	990,245
Changes in assets and liabilities:	
Customer receivables	(20,010)
Deposits	54,070
Due from other governmental units	77,043
Accounts payable	87,178
Accrued and other liabilities	550
Net cash provided by operating activities	528,875

Cash Flows from Noncapital Financing Activities - Loan repayments to other funds

(340,676)

Cash Flows from Capital and Related Financing Activities

Principal and interest paid on long-term debt	(47,340)
Proceeds from property tax levy	2,149,959
Replenishment of reserves held at Wayne County	(1,923,526)
Federal grants	737,036
Federal expenditures	(14,536)
Purchase of capital assets	(1,093,834)
Net cash used in capital and related financing activities	(192,241)

Cash Flows from Investing Activities - Interest received on investments

4,042

Net Change in Cash and Cash Equivalents

-

Cash and Cash Equivalents - July 1, 2004

-

Cash and Cash Equivalents - June 30, 2005

\$ -

Noncash Investing, Capital, and Financing Activities

- The County used approximately \$115,700 of restricted assets toward additions to fixed assets.
- The County paid approximately \$1,930,000 of bond and State Revolving Loan principal and interest payments related to the Downriver Sewage Improvement Project and the CSO Basin Sewer Line Improvement Project.
- Interest earned during the year on assets held at Wayne County related to both projects was approximately \$57,200.
- The County reduced the balance of the State Revolving Fund Loan for the CSO project by \$28,468 due to final close-out of the project.
- An adjustment was made to increase fixed assets and long-term debt by \$94,600 for 1994 A Bonds which had previously been written off in error.

City of River Rouge, Michigan

Statement of Changes in Plan Net Assets Pension Trust Funds Year Ended June 30, 2005

Additions

Investment income:	
Interest and dividends	\$ 1,121,359
Net appreciation in fair value of investments	1,567,757
Other	<u>26,080</u>
Net investment income	2,715,196
Contributions:	
Employer	265,483
Employees	<u>259,985</u>
Total additions	3,240,664

Deductions

Benefit payments	4,428,166
Administrative expenses	<u>400,388</u>
Total deductions	<u>4,828,554</u>

Net Decrease in Net Assets Held in Trust for Pension Benefits (1,587,890)

Net Assets Held in Trust for Pension Benefits

Beginning of year	<u>39,619,870</u>
End of year	<u><u>\$ 38,031,980</u></u>

City of River Rouge, Michigan

Combining Balance Sheet Component Units June 30, 2005

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and cash equivalents (Note 2)	\$ 147,082	\$ -	\$ 147,082
Loans receivable	13,396	-	13,396
Land contracts receivable	46,338	-	46,338
Due from primary government	92,515	56,107	148,622
Amount to be provided for long-term debt	<u>103,884</u>	<u>-</u>	<u>103,884</u>
Total assets	<u>\$ 403,215</u>	<u>\$ 56,107</u>	<u>\$ 459,322</u>
Liabilities and Fund Balances			
Liabilities			
Security deposits	\$ 8,903	\$ -	\$ 8,903
Long-term debt (Note 6)	<u>103,884</u>	<u>-</u>	<u>103,884</u>
Total liabilities	112,787	-	112,787
Fund Balances			
Reserved (Note 15)	130,590	56,107	186,697
Unreserved - Undesignated	<u>159,838</u>	<u>-</u>	<u>159,838</u>
Total fund balances	<u>290,428</u>	<u>56,107</u>	<u>346,535</u>
Total liabilities and fund balances	<u>\$ 403,215</u>	<u>\$ 56,107</u>	<u>\$ 459,322</u>

City of River Rouge, Michigan

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Component Units Year Ended June 30, 2005

	Economic Development Corporation	Downtown Development Authority	Total
Revenue			
Property taxes	\$ -	\$ 15,342	\$ 15,342
Rental income - Building	197,480	-	197,480
Rental income - Tower	19,435	-	19,435
Interest	7,677	-	7,677
Other	10,850	-	10,850
Total revenue	235,442	15,342	250,784
Expenditures			
Project and other expenses	48,165	5,560	53,725
Rental expenses	212,545	-	212,545
Debt service	125,551	-	125,551
Total expenditures	386,261	5,560	391,821
Excess of Revenue Over (Under) Expenditures	(150,819)	9,782	(141,037)
Other Financing Sources			
Proceeds from issuance of long-term debt	110,000	-	110,000
Operating transfers from primary government	69,115	-	69,115
Total other financing sources	179,115	-	179,115
Net Change in Fund Balances	28,296	9,782	38,078
Fund Balances - July 1, 2004	262,132	46,325	308,457
Fund Balances - June 30, 2005	<u>\$ 290,428</u>	<u>\$ 56,107</u>	<u>\$ 346,535</u>

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of River Rouge, Michigan (the "City") do not conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City has not modified its financial reporting to adopt Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As such, the general purpose financial statements exclude the management's discussion and analysis, government-wide statement of net assets, and government-wide statement of activities. Furthermore, the City has not followed the formatting of separately reporting its governmental funds (including major funds), proprietary funds (including major Enterprise Funds), and fiduciary funds. The City has continued to report information by fund type and account group; the General Fixed Assets Account Group excludes general infrastructure assets and accumulated depreciation on general fixed assets.

In addition, the City does not maintain information necessary to make the disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As a result, the City continues to disclose information about its deposits and investments in accordance with GASB Statement No. 3, which was substantially revised by Statement No. 40.

The following is a summary of the significant accounting policies:

Reporting Entity

The City is governed by an elected mayor and a six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of River Rouge and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationship with the City.

The Policemen and Firemen and General Employees' Retirement Systems have been blended into the City's financial statements. The systems are governed by five-member pension boards that include three individuals chosen by the mayor and City Council. The systems are reported as if part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement systems. Additionally, the 26th District Court Division I Agency Fund has also been blended into the City's financial statements.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

The following entities are reported within the component unit column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, which consists of nine individuals, is selected by the City Council. A complete financial report can be obtained by contacting the city clerk at 10600 W. Jefferson Avenue, River Rouge, Michigan 48218.

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor with the approval of the City Council. In addition, the Authority's budget is subject to approval by the City Council. A separate financial report for the DDA is not available.

The City has excluded the Housing Commission from this report as a component unit because the City does not exercise substantial oversight responsibility. The Housing Commission financial statements have been issued under separate cover. The Housing Commission reimburses the City for fringe benefits and pension contributions. The Housing Commission has outstanding liabilities to the General Fund in the amount of \$15,137 for payroll reimbursement.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for the results of operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. These include the Pension Retirement Systems Funds and the Agency Fund. The Pension Retirement Systems Funds are accounted for in the same manner as proprietary funds. The 26th District Court Division I Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Basis of Accounting

The accrual basis of accounting is used by the Enterprise Fund and the Pension Retirement Systems Funds. All governmental funds and the component units utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations of the City are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Noncurrent receivables, such as long-term loans, are recorded at full value and fund balance is reserved for the portion not available for use to finance operations as of year end.
- c. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.

Note I - Summary of Significant Accounting Policies (Continued)

- d. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- e. Normally, expenditures are not divided between years by the recording of prepaid expenses. The prepaid expenses recorded in the General Fund represent advance payments on various insurance policies.
- f. The noncurrent portion of accumulated sick and vacation days, unemployment, and self-insured liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the Enterprise Fund are accounted for in that fund. Depreciation on such fixed assets is charged as an expense against the operations of the Enterprise Fund on a straight-line basis.

Cash Equivalents - For the purpose of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments and Marketable Securities - Investments are reported at fair value, based on quoted market prices.

Real Estate Inventory - Real estate inventory in the Grant Special Revenue Fund is held for resale and is valued at the lower of cost or market.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Significant Customers - The City has two significant customers, U.S. Steel Corporation and Detroit Edison Company that, when combined, represented approximately 57 percent of property tax revenue and 47 percent of water and sewage disposal revenue for the year ended June 30, 2005.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the noted amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits and Investments

The City's deposits and investments at June 30, 2005 are included on the balance sheet under the following classifications:

GASB Category 3	Balance Sheet Classification	
	Cash and Cash Equivalents	Marketable Securities
Deposits:		
General Fund	\$ 3,929,037	\$ -
General Employees' Retirement System	442,836	-
Police and Fire Retirement System	1,000,423	-
Agency Fund	106,289	-
Investments	-	36,519,897
Total	<u>\$ 5,478,585</u>	<u>\$ 36,519,897</u>

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 2 - Deposits and Investments (Continued)

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$5,722,000. Of that amount, approximately \$506,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The General Employees' Retirement System and Policemen and Firemen Retirement System are authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain foreign and domestic state and local government obligations, and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2005. Risk Category 1 includes those investments that meet any of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

All investments held by the City at June 30, 2005 are Category 2.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 2 - Deposits and Investments (Continued)

	Carrying Amount (Fair Value)
General Employees' Retirement System:	
U.S. government securities	\$ 2,558,625
Common stock	7,553,537
Corporate bonds	783,269
Policemen and Firemen Retirement System:	
U.S. government securities	3,472,349
Common stock	19,387,789
Corporate bonds	2,479,743
Foreign bonds	284,585
Total	<u>\$ 36,519,897</u>

Included in the City's retirement systems' investments at June 30, 2005 are approximately \$3,700,000 of collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Component Units - The cash of the City's component units consists solely of bank deposits. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$147,800. Of that amount, approximately \$114,500 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Corporation evaluates each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 3 - Interfund Receivables

The following are the interfund receivables at June 30, 2005:

General Fund:

Special Revenue Funds:

Local Street Fund	\$ 693
District Court - Agency Fund	46,845
Community Development Block Grant Fund	173,938
Enterprise Fund	311,224 *
Fiduciary Fund - Policemen and Firemen	
Retirement System Fund	<u>10,113</u>

Total General Fund 542,813

Special Revenue Funds:

Refuse Fund - General Fund	703,951 *
Local Street Fund - Major Street Fund	6,595
Library Fund - General Fund	227,408 *
Drug Enforcement Fund - General Fund	<u>192,877 *</u>
Total Special Revenue Funds	<u>1,130,831</u>

Total interfund receivables \$ 1,673,644

* These amounts are considered noncurrent and fund balance in the respective funds has been reserved accordingly.

Note 4 - Restricted Assets

Restricted assets at June 30, 2005 consist of assets totaling \$5,105,688 held at Wayne County for water and sewer line construction. The assets resulted from issuance of debt. Accordingly, retained earnings have not been reserved.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 5 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land and improvements	\$ 2,947,087	\$ 104,020	\$ (73,068)	\$ 2,978,039
Buildings and structures	5,154,263	-	-	5,154,263
Pavement	2,489,212	-	-	2,489,212
Equipment	3,957,517	105,402	-	4,062,919
Total general fixed assets	<u>\$ 14,548,079</u>	<u>\$ 209,422</u>	<u>\$ (73,068)</u>	<u>\$ 14,684,433</u>

A summary of Enterprise Fund fixed assets at June 30, 2005 is as follows:

	Amount	Depreciable Life - Years
Land	\$ 150,378	-
Water and sewer mains and basins	47,603,587	50
Pumping station	1,530,802	3-50
Equipment and meters	1,012,098	5-15
Vehicles	355,877	4
Total cost	50,652,742	
Less accumulated depreciation	<u>(7,888,355)</u>	
Net carrying amount	<u>\$42,764,387</u>	

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City at June 30, 2005:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding	
				Enterprise Fund	Long-term Debt
Lease obligations	1	7.00%	2006	\$ 44,243	\$ -
State Revolving Fund Loan - Downriver	12	2.00%-2.25%	2021	2,859,276	-
Downriver Sewage Disposal System Bonds - Series A	1	7.00%	2013	87,600	-
State Revolving Fund - Loan - CSO	1	2.25%	2018	4,293,131	-
Wayne County CSO Revenue Bonds	1	4.80%-5.375%	2017	12,255,000	-
Compensated absences (1)	-	-	-	-	1,257,346
Lawsuits and asserted claims (2)	-	-	-	-	350,000
Self-funded medical claims (3)	-	-	-	-	31,500
Net pension obligation (4)	-	-	-	-	1,406,293
Fiscal stabilization bonds (5)	1	2.0%-5.00%	2032	-	6,545,000
Total long-term debt				<u>\$ 19,539,250</u>	<u>\$ 9,590,139</u>

(1) The accumulated employee benefits represent the estimated liability to be paid governmental fund-type employees under the City's sick and vacation pay policy, net of the portion that is estimated will be paid currently (which has been recorded as a liability in the General Fund). Under the City's policy, employees earn sick and vacation time based on time of service with the City.

(2) The lawsuits and asserted claims represent an estimate by City management and legal counsel of the City's probable liability as of June 30, 2005, in connection with certain lawsuits currently pending.

(3) The self-funded medical claims represent an estimate by City management of the City's probable liability as of June 30, 2005 in connection with certain medical claims currently pending.

(4) The net pension obligation represents the net present value of required pension contributions payable to the City's defined benefit pension plans.

(5) Pursuant to the terms and conditions of the fiscal stabilization bonds, the City's future state-shared revenue has been pledged in connection with this obligation.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of debt transactions of the City for the year ended June 30, 2005:

	General Obligations	Revenue Bonds	Total
Balance - July 1, 2004	\$ 16,062,649	\$ 12,910,000	\$ 28,972,649
New debt - Pension obligation	1,406,293	-	1,406,293
Adjustment to Downriver Sewage Disposal System Bonds	94,600	-	94,600
County adjustment to State Revolving Fund Loan	(28,468)	-	(28,468)
Increase in lawsuits and asserted claims	15,000	-	15,000
Decrease in compensated absences and claims	(65,547)	-	(65,547)
Increase in self-funded medical claims	5,250	-	5,250
Debt retired	(615,388)	(655,000)	(1,270,388)
Balance - June 30, 2005	<u>\$ 16,874,389</u>	<u>\$ 12,255,000</u>	<u>\$ 29,129,389</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2005 (excluding capital leases, compensated absences, lawsuits, and asserted claims), including both principal and interest, are as follows:

Years Ending June 30	Debt Serviced Through		Total
	Governmental Fund Resources	Proprietary Fund	
2006	\$ 428,733	\$ 1,934,281	\$ 2,363,014
2007	425,830	1,933,648	2,359,478
2008	427,388	1,931,080	2,358,468
2009	428,323	1,931,052	2,359,375
2010	423,828	1,932,763	2,356,591
Remaining years	<u>9,723,394</u>	<u>15,803,155</u>	<u>25,526,549</u>
Total	<u>\$ 11,857,496</u>	<u>\$ 25,465,979</u>	<u>\$ 37,323,475</u>

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt (Continued)

Capital Leases

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2005, are as follows:

<u>Year Ending</u> <u>June 30</u>		<u>Proprietary</u> <u>Fund</u>
2006	Total minimum lease payments	\$ 47,340
	Less amount representing interest	<u>(3,097)</u>
	Present value of net minimum lease payments	<u>\$ 44,243</u>

Interest

Total interest incurred for the City for the year approximated \$1,125,800.

Defeased Debt

In a prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2005, \$415,000 of bonds outstanding is considered defeased.

No Commitment Debt

Excluded from the General Long-term Debt Account Group are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings, and equipment. Under terms of the leases, the lessees are required to make payments to the bond-paying agents equal to the bond principal and interest payments as they come due. These bonds are not a liability of the City since they are payable solely from the net revenue derived from the respective leases. After these bonds are issued, all financial activity is taken over by the paying agent.

The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt (Continued)

Component Unit

Outstanding Debt

The following is a summary of the debt outstanding of the Economic Development Corporation of the City of River Rouge at June 30, 2005:

General Obligation Bonds	Balance July 1, 2004	Additions	Debt Retired	Balance June 30, 2005
Mortgage loan, issued in the amount of \$130,000. Payments of \$1,417, including interest at 10.25 percent, are due monthly, beginning March 15, 2000, with a final balloon payment due on February 15, 2005	\$ 110,765	\$ -	\$ (110,765)	\$ -
Note payable, issued in the amount of \$110,000. Payments of \$1,307, including interest at 7.50 percent, are due monthly through August 2014	-	110,000	(6,116)	103,884
Total long-term debt	\$ 110,765	\$ 110,000	\$ (116,881)	\$ 103,884

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2005, including both principal and interest, are as follows:

Years Ending June 30	Amount
2006	\$ 15,687
2007	15,687
2008	15,687
2009	15,687
2010	15,687
Remaining years	65,323
Total	\$ 143,758

Interest

Total interest incurred for the Economic Development Corporation for the year approximated \$8,700.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 7 - Budget Information

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."
- Reimbursements from other funds have been included in revenue, rather than as a reduction to expenditures.

The budget statement (combined statement of revenue, expenditures, and changes in fund balances (deficit) - budget and actual - General and Special Revenue Fund types) is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budget statement to the operating statement (combined statement of revenue, expenditures, and changes in fund balances (deficit) - all governmental fund types and component units):

	General Fund		Special Revenue Funds	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 11,918,462	\$ 12,389,817	\$ 2,985,485	\$ 2,632,857
Operating transfers	81,184	74,226	101,076	177,149
Reimbursements from other funds recorded as revenue	202,435	202,435	-	-
Amounts per budget statement	<u>\$ 12,202,081</u>	<u>\$ 12,666,478</u>	<u>\$ 3,086,561</u>	<u>\$ 2,810,006</u>

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of the General Fund expenditure budget as adopted by the City Council is included in the additional information and a comparison of actual results of the General Fund revenue budget is included in the general purpose financial statements. This comparison includes expenditure budget overruns. A comparison of actual results of operations to the Special Revenue Funds budget as adopted by the City Council is available at the clerk's office for inspection.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 7 - Budget Information (Continued)

An overview of significant expenditure budget overruns is as follows:

	Budget	Actual
General Fund:		
General government	\$ 2,054,624	\$ 2,114,485
Street lighting	247,961	248,377
Culture and recreation	318,614	343,212
Other functions	3,953,900	4,360,473
Transfers to other funds	-	5,111
Special Revenue Funds:		
Culture and recreation	250,350	286,390
Transfers to other funds	95,250	177,149

At June 30, 2005, the General Fund had a fund deficit of \$2,446,719. See Note 18 related to going concern.

At June 30, 2005, the Grant Fund had a deficit of \$98,881. The deficit is the result of deferring federal grant revenue, for which grant reimbursements were not received within 60 days of year end. The deficit was eliminated through the receipt of reimbursement requests subsequent to year end.

Note 8 - Pension Plan

General Employees' Pension Plan

Plan Description - The General Employees' Pension Plan is a single-employer defined benefit pension plan that is administered by the City of River Rouge General Employees' Retirement System (the "System"); this plan covers most full-time general employees of the City hired prior to January 1, 1999. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2004, the date of the most recent actuarial valuation, membership consisted of 112 retirees and beneficiaries currently receiving benefits, one terminated employee entitled to benefits but not yet receiving them, and 61 current active employees. The plan does not issue a separate financial report.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 8 - Pension Plan (Continued)

Contributions - Plan member contributions are recognized in the period in which the contributions are due. State law requires that the City fund their pension annually. Due to the City's financial condition, they were unable to make the required contributions for the year ended June 30, 2005. Subsequent to year end, the pension board obtained a court order against the City to recoup the unpaid contributions. The net present value of unpaid pension obligation has been recorded in the City's general long-term debt account group at June 30, 2005.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 3 percent for General and Housing Local 1917 and 6.3 percent for all others. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost - For the year ended June 30, 2005, the City's annual pension cost of \$74,032 for the plan was equal to the City's actual contribution, which represented 8.43 percent of the required contribution. The net pension obligation of the City is calculated as follows:

Annual required contribution	\$ 878,622
Contributions made	<u>(74,032)</u>
Change in net pension obligation	804,590
Net pension obligation - Beginning of year	<u>-</u>
Net pension obligation - End of year	<u><u>\$ 804,590</u></u>

The annual required contribution was determined as part of an actuarial valuation at June 30, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 0 percent per year, and (c) 5.7 percent to 9.5 percent additional projected salary increases depending on age and seniority/merit. Both (a) and (b) include an inflation component of 5.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 12 years.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 8 - Pension Plan (Continued)

Reserves - As of June 30, 2005, the balances in the plan's reserves are as follows:

Legally required reserves - Employee contributions	\$ 1,764,557
Additional reserves:	
Reserve for retiree benefit payments	14,960,355
Reserve for employer contributions	<u>(5,348,172)</u>
Total reserves	<u>\$ 11,376,740</u>

Trend Information

	Fiscal Year Ended June 30		
	2003	2004	2005
Annual pension cost (APC)	\$ 624,012	\$ 813,219	\$ 74,032
Percent of APC contributed	100%	100%	8.43%
Net pension obligation	\$ -	\$ -	\$ 804,590

Policemen and Firemen Retirement System

Plan Description - The Policemen and Firemen Retirement System is a single-employer defined benefit pension plan that is administered by the City of River Rouge Policemen and Firemen Retirement System; this plan covers certain police and fire employees of the City hired prior to January 1, 1999. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2004, the date of the most recent actuarial valuation, membership consisted of 90 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 42 current active employees. The plan does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. State law requires that the City fund their pension annually. Due to the City's financial condition, they were unable to make the required contributions for the year ended June 30, 2005. Subsequent to year end, the pension board obtained a court order against the City to recoup the unpaid contributions. The net present value of unpaid pension obligation has been recorded in the City's general long-term debt account group at June 30, 2005.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 8 - Pension Plan (Continued)

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost - For the year ended June 30, 2005, the City's annual pension cost of \$191,451 for the plan was equal to the City's actual contribution, which represented 24.14 percent of the required contribution. The net pension obligation of the City is calculated as follows:

Annual required contribution	\$ 793,154
Contributions made	<u>(191,451)</u>
Change in net pension obligation	601,703
Net pension obligation - Beginning of year	<u>-</u>
Net pension obligation - End of year	<u><u>\$ 601,703</u></u>

The annual required contribution was determined as part of an actuarial valuation at June 30, 2003, using the aggregate cost method. Significant actuarial assumptions include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 4.7 percent to 8.5 percent additional projected salary increases depending on age and seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Reserves - As of June 30, 2005, the balances in the plan's reserves are as follows:

Legally required reserves - Employee contributions	\$ 1,956,030
Additional reserves:	
Reserve for retiree benefit payments	25,736,665
Reserve for employer contributions	<u>(1,037,455)</u>
Total reserves	<u><u>\$ 26,655,240</u></u>

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 8 - Pension Plan (Continued)

Trend Information

	Fiscal Year Ended June 30		
	2003	2004	2005
Annual pension cost (APC)	\$ 387,491	\$ 484,925	\$ 191,451
Percent of APC contributed	100%	100%	24.14%
Net pension obligation	\$ -	\$ -	\$ 601,703

Note 9 - Defined Contribution Pension Plan

The City provides pension benefits to its full-time employees and elected officials through a defined contribution pension plan under Section 401(a) of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council through collective bargaining agreements, the City contributes 9 percent of the employees' gross earnings and employee contributions for each employee plus interest allocated to the employees' account are immediately vested.

The City's total payroll during the current year was approximately \$5,650,000. The current year contribution was calculated based on covered payroll of \$740,900, resulting in an employer contribution of \$66,681 and employee contributions of \$37,045.

Note 10 - Postemployment Benefits

The City provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 202 retirees or surviving spouses are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. During the year ended June 30, 2005, the amount paid for postemployment health care benefits approximated \$930,000.

Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City purchased commercial insurance for property loss claims and participated in the Michigan Municipal League (risk pool) for claims relating to workers' compensation claims prior to June 30, 1991. The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City was uninsured for hospitalization, general liability, and workers' compensation claims for the period from June 30, 1991 to December 1, 1995. From December 1, 1995 through December 1, 2001, the City participated in the Michigan Municipal League for workers' compensation, general liability, and property loss. Effective December 1, 2001, only workers' compensation is covered by the League.

On December 1, 2001, the City joined the Michigan Municipal Risk Management Authority for general liability and property loss coverage. This risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for hospitalization, workers' compensation, and general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 11 - Risk Management (Continued)

These estimates are recorded in the General Long-term Debt Account Group and the General Fund. Changes in the estimated liability were as follows:

	<u>Hospitalization</u>	<u>General Liability</u>
Estimated liability - July 1, 2003	\$ 460,000	\$ 177,695
Estimated claims incurred - Including changes in estimates	2,492,796	309,305
Claim payments	<u>(2,576,546)</u>	<u>(152,000)</u>
Estimated liability - June 30, 2004	376,250	335,000
Estimated claims incurred - Including changes in estimates	2,615,612	159,000
Claim payments	<u>(2,610,362)</u>	<u>(144,000)</u>
Estimated liability - June 30, 2005	<u>\$ 381,500</u>	<u>\$ 350,000</u>

These liabilities are recorded in the fund and account group as follows:

	<u>Hospitalization</u>	<u>General Liability</u>
General Fund	\$ 350,000	\$ -
General Long-term Debt Account Group	<u>31,500</u>	<u>350,000</u>
Total	<u>\$ 381,500</u>	<u>\$ 350,000</u>

Note 12 - Contingencies

Lawsuits and Asserted Claims

The City is a defendant in several lawsuits and asserted claims. A provision of \$350,000 has been made in the General Long-term Debt Account Group for the estimated liability for certain of these lawsuits (see Note 11). Management and legal counsel believe the City's ultimate exposure with respect to the remaining actions is not determinable. No provision has been made in the accompanying financial statements for potential liabilities, if any, which may arise from these remaining suits and asserted claims.

Note 12 - Contingencies (Continued)

Property Tax Appeal

In March 2002, the City's largest taxpayer, National Steel - Great Lakes Division, filed Chapter 11 bankruptcy and was ultimately sold in 2002 to U.S. Steel Corporation. U.S. Steel Corporation has filed a petition with the tax tribunal requesting a reduction in their assessed and taxable valuation for the December 2002, 2003, and 2004 tax years (affecting the City's July 2003 through June 2005 fiscal years) based on the purchase price paid in the bankruptcy sale. U.S. Steel Corporation is requesting a reduction of approximately 60 percent from the value set by the City. The City believes their valuation is correct and is fighting the appeal. If U.S. Steel Corporation is successful, the City would have refund obligations from the General, Refuse, and Library Funds totaling approximately \$1,561,000 and the Enterprise Fund would have refunds related to the CSO and EPA judgment levies totaling approximately \$1,187,000 each year. The case is still in the discovery stages and no amounts have been recorded in the financial statements at June 30, 2005.

Note 13 - Commitment

In August 1995, the City contracted with Wayne County to manage all aspects of the construction of a CSO basin. The agreement called for the City to turn over all bond, grant, and State Revolving Fund Loan proceeds to the County sufficient to cover all costs. During 2002, the City was notified by Wayne County that all funds originally remitted by the City had been disbursed and approximately \$6,000,000 in additional funds would be needed to complete the City's requirements under the original court order noted above. In July 2003, the City reached a settlement agreement with Wayne County. In the settlement agreement, Wayne County agreed to provide the City with several grants to offset the costs of the remaining projects. The three remaining items that remain unresolved in the original court order are as follows:

Note 13 - Commitment (Continued)

1. A 60-inch relief sewer at the Coolidge viaduct was required under the original order. Wayne County, as the project manager, determined this sewer was not necessary. The Michigan Department of Environmental Quality (MDEQ) has determined this sewer may still be required. The County has obtained a grant to fund a water sampling study to prove to MDEQ that construction of this sewer is no longer necessary since the construction of the CSO basin. The total cost of the study is approximately \$290,000, of which approximately \$255,000 will be covered by the grant. As of June 30, 2005, the City has completed the project and is awaiting word from the MDEQ if the sewer is necessary. If it is determined this sewer is necessary, the estimated cost of \$4,000,000 would have to be paid by the City's Enterprise Fund. No funds are currently available for this project and no amounts have been recorded in the financial statements at June 30, 2005.
2. MDEQ is requiring the City to have an alternate power source to power all five motors at the CSO basin. The City currently has sufficient power sources to power two of the motors. Wayne County and the City are working with MDEQ and the court to resolve this issue. If the City is required to have an alternate power source for all five motors, the additional annual operating cost to the Enterprise Fund is estimated at \$500,000.
3. MDEQ required the repair of a 66-inch sewer on Dwight Street. The City signed a contract with a vendor in June 2004 totaling \$1,050,000. Wayne County provided the City a grant through the National Wet Weather Demonstration Grant program totaling \$722,500. The balance of the contract was paid from proceeds received from the CSO lawsuit noted above. Work on this project was completed and the total cost and related grant proceeds are recorded in the City's Enterprise Fund at June 30, 2005.

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 14 - Contributed Capital

The following is an analysis of contributed capital by source:

	Balance July 1, 2004	Current Year Additions and Adjustments	Balance June 30, 2005
Federal grants	\$ 13,316,163	\$ 722,500	\$ 14,038,663
Other	<u>168,179</u>	<u>-</u>	<u>168,179</u>
Total	13,484,342	722,500	14,206,842
Depreciation charged to contributed capital	<u>(530,668)</u>	<u>(280,773)</u>	<u>(811,441)</u>
Net contributed capital	<u>\$ 12,953,674</u>	<u>\$ 441,727</u>	<u>\$ 13,395,401</u>

Note 15 - Designated and Reserved Fund Balances/Retained Earnings

Fund balances and retained earnings have been reserved for the following purposes:

	General Fund	Special Revenue Funds	Trust and Agency Fund	Component Units
Reserved for prepaid expenditures	\$ 349,591	\$ -	\$ -	\$ -
Unspent grant proceeds	29,250	-	-	-
Reserved for noncurrent receivables	-	-	-	38,075
Reserved for noncurrent interfund receivable	311,224	1,124,236	-	148,622
Reserved for pension benefits	<u>-</u>	<u>-</u>	<u>38,031,980</u>	<u>-</u>
Total	<u>\$ 690,065</u>	<u>\$ 1,124,236</u>	<u>\$ 38,031,980</u>	<u>\$ 186,697</u>

City of River Rouge, Michigan

Notes to Financial Statements June 30, 2005

Note 16 - Construction Code Fees

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2004		\$ (507,466)
Current year building permit revenue		333,429
Related expenses:		
Direct costs	\$	269,259
Estimated indirect costs		<u>21,700</u>
Total construction code expenses		<u>290,959</u>
Cumulative shortfall at June 30, 2005		<u>\$ (464,996)</u>

Note 17 - Subsequent Events

Subsequent to year end, the County issued additional state revolving fund loans for ongoing replacement and capital items for the downriver sewer system. The City's share of these loans payable is \$238,000. Additional bonds are anticipated to be issued in 2006 for improvements to the wastewater treatment plan and ongoing replacement and capital items. The City's share of these loans payable will be \$777,066.

Note 18 - Going Concern/Management's Plans

As a result of recurring operating deficits and a significant unreserved, undesignated fund deficit in the General Fund, the City prepared a formal deficit reduction plan and submitted it to the State of Michigan Department of Treasury (State) in February 2005. The State approved the City's plan in March 2005. The five-year plan included, among other items, substantial staff reductions, including some through early-out retirement incentives; sale of City property; and cost reductions through negotiations of open employment contracts. In July 2004, the City created a special assessment district for police and fire homeland security protection that generated approximately \$1,170,000 during the year ended June 30, 2005 and will generate approximately \$1,200,000 annually.

Note 18 - Going Concern/Management's Plans (Continued)

The operating deficit decreased in the current year from the fiscal year ended June 30, 2004 balance of \$2,060,445 to \$471,355. The primary reason for the decrease was the new special assessment revenues and the sale of a piece of property. The City's early-out retirement packages and new union contracts take effect June 30, 2005. The savings from these items net of additional costs for employee leave bank payouts and unemployment cost will be recognized in the next fiscal year.

Management expects the deficit to continue through the year ending June 30, 2006. The cost savings noted above are partially offset by substantial reductions in state-shared revenues and increases in employee benefit costs. Management believes the cost-cutting steps to date and additional cost reductions as spelled out in the deficit elimination plan should result in the elimination of the General Fund deficit over the next several years, subject to the ultimate effect of the property tax appeal contingency in Note 12.

Additional Information

City of River Rouge, Michigan

Retirement System Required Supplementary Information Policemen and Firemen Retirement System Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/99	\$ 30,975,123	\$ 28,118,267	\$ (2,856,856)	110.2	\$ 3,005,802	(95.1)
06/30/00	32,663,571	29,370,588	(3,292,983)	111.2	3,094,560	(106.4)
06/30/01	33,089,914	30,007,692	(3,082,222)	110.3	3,250,571	(94.8)
06/30/02	31,644,156	35,068,838	3,424,682	90.2	2,801,663	122.2
06/30/03	29,384,527	36,177,859	6,793,332	81.2	2,652,137	256.1
06/30/04	27,881,044	37,097,954	9,216,910	75.2	2,855,741	322.8

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	\$ 673,440	100%
2001	524,143	100%
2002	428,067	100%
2003	387,491	100%
2004	484,925	100%
2005	793,154	24.14%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2004, the latest actuarial valuation date, is as follows:

Actuarial cost method	Aggregate
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases *	4.7%-8.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of River Rouge, Michigan

Retirement System Required Supplementary Information General Employees' Retirement System Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/99	\$ 15,964,764	\$ 20,356,410	\$ 4,391,646	78.4	\$ 1,731,438	253.6
06/30/00	16,111,076	20,918,580	4,807,504	77.0	1,786,409	269.1
06/30/01	16,009,970	20,666,344	4,656,374	77.5	1,814,229	256.7
06/30/02	15,194,970	21,228,089	6,033,119	71.6	1,862,030	324.0
06/30/03	13,989,089	21,197,113	7,208,024	66.0	1,898,470	379.7
06/30/04	13,347,221	21,253,637	7,906,416	62.8	1,803,584	438.4

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	\$ 582,368	100%
2001	521,510	100%
2002	590,228	100%
2003	624,012	100%
2004	813,219	100%
2005	878,622	8.43%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2004, the latest actuarial valuation date, is as follows:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5.7%-9.5%
*Includes inflation at	5.5%
Cost of living adjustments	None

City of River Rouge, Michigan

General Fund Schedule of Expenditures - Budget and Actual Year Ended June 30, 2005

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Budget	Actual	
General Government				
Legislative	\$ 50,875	\$ 51,000	\$ 51,000	\$ -
26th District Court	297,978	308,061	317,117	(9,056)
Executive	164,534	172,468	171,575	893
Elections	1,987	23,895	23,935	(40)
Assessment	84,589	88,183	87,379	804
City attorney and legal claims	903,595	604,344	642,123	(37,779)
City clerk and photostating	126,879	119,181	123,118	(3,937)
Personnel and purchasing	169,334	189,329	190,620	(1,291)
City Treasurer	129,035	106,418	109,910	(3,492)
Data processing	10,556	5,495	5,495	-
Building maintenance	623,540	386,250	392,213	(5,963)
Total general government	2,562,902	2,054,624	2,114,485	(59,861)
Public Safety				
Police department	2,426,315	2,356,083	2,316,948	39,135
Fire department	1,634,455	1,627,313	1,640,196	(12,883)
Total public safety	4,060,770	3,983,396	3,957,144	26,252
Public Services				
Building department	289,990	260,625	269,259	(8,634)
Department of Public Works	773,723	586,462	564,337	22,125
Neighborhood improvement program	127,744	112,170	111,729	441
Senior center and city planner	180,072	202,322	196,853	5,469
Total public services	1,371,529	1,161,579	1,142,178	19,401
Street Lighting	230,825	247,961	248,377	(416)
Culture and Recreation	321,552	318,614	343,212	(24,598)
Other Functions				
General functions and other	258,202	344,500	279,562	64,938
Insurance	3,613,997	3,275,500	3,680,573	(405,073)
Pension programs	1,184,756	95,900	177,668	(81,768)
Direct employee fringe costs	243,292	238,000	222,670	15,330
Total other functions	5,300,247	3,953,900	4,360,473	(406,573)
Debt Service	-	426,383	426,383	-
Transfers to Other Funds	48,321	-	5,111	(5,111)
Transfers to Component Units	67,449	69,115	69,115	-
Total expenditures	<u>\$ 13,963,595</u>	<u>\$ 12,215,572</u>	<u>\$ 12,666,478</u>	<u>\$ (450,906)</u>

City of River Rouge, Michigan

	Major Highway	Local Highway
Assets		
Receivables:		
Due from State of Michigan	\$ 87,917	\$ 23,426
Due from Wayne County	-	-
Due from other funds	-	6,595
Real estate inventory	-	-
	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 87,917</u></u>	<u><u>\$ 30,021</u></u>
Liabilities and Fund Balances (Deficit)		
Liabilities		
Vouchers payable	\$ 59,095	\$ 15,502
Due to other funds	6,595	693
Deferred revenue	-	-
	<u>-</u>	<u>-</u>
Total liabilities	65,690	16,195
Fund Balances (Deficit)		
Reserved	-	-
Unreserved - Undesignated	<u>22,227</u>	<u>13,826</u>
Total fund balances (deficit)	<u>22,227</u>	<u>13,826</u>
Total liabilities and fund balances (deficit)	<u><u>\$ 87,917</u></u>	<u><u>\$ 30,021</u></u>

Special Revenue Funds
Combining Balance Sheet
June 30, 2005

Refuse	Drug Enforcement	Library	Grant Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 111,343
-	-	-	157,718	157,718
703,951	192,877	227,408	-	1,130,831
-	-	-	110,237	110,237
<u>\$ 703,951</u>	<u>\$ 192,877</u>	<u>\$ 227,408</u>	<u>\$ 267,955</u>	<u>\$ 1,510,129</u>
\$ 50,396	\$ 14,135	\$ 154,344	\$ 61,937	\$ 355,409
-	-	-	173,938	181,226
-	-	-	130,961	130,961
50,396	14,135	154,344	366,836	667,596
703,951	192,877	227,408	-	1,124,236
(50,396)	(14,135)	(154,344)	(98,881)	(281,703)
653,555	178,742	73,064	(98,881)	842,533
<u>\$ 703,951</u>	<u>\$ 192,877</u>	<u>\$ 227,408</u>	<u>\$ 267,955</u>	<u>\$ 1,510,129</u>

City of River Rouge, Michigan

	Major Highway	Local Highway
Revenue		
Property taxes	\$ -	\$ -
Federal sources	-	-
State sources	409,694	144,815
Interest income	-	-
Other revenue	-	-
Total revenue	409,694	144,815
Expenditures		
Refuse charges	-	-
Highway and streets	206,807	194,846
Administration	38,386	14,482
Repairs and maintenance	46,309	17,626
Drug enforcement	-	-
Library	-	-
Home program	-	-
Community development expenditures	-	-
Total expenditures	291,502	226,954
Excess of Revenue Over (Under) Expenditures	118,192	(82,139)
Other Financing Sources (Uses)		
Operating transfers in	-	95,965
Operating transfers out	(95,965)	-
Total other financing sources (uses)	(95,965)	95,965
Net Change in Fund Balances (Deficit)	22,227	13,826
Fund Balances (Deficit) - July 1, 2004	-	-
Fund Balances (Deficit) - June 30, 2005	<u>\$ 22,227</u>	<u>\$ 13,826</u>

Special Revenue Funds
Combining Statement of Revenue,
Expenditures, and Changes in Fund Balances (Deficit)
Year Ended June 30, 2005

Refuse	Drug Enforcement	Library	Grant Fund	Total
\$ 1,033,997	\$ -	\$ 206,799	\$ -	\$ 1,240,796
-	92,662	-	396,974	489,636
-	-	-	-	554,509
7,827	1,788	2,274	-	11,889
-	25,571	38,239	624,845	688,655
1,041,824	120,021	247,312	1,021,819	2,985,485
939,112	-	-	-	939,112
-	-	-	-	401,653
-	-	-	20,476	73,344
-	-	-	-	63,935
-	82,224	-	-	82,224
-	-	286,390	-	286,390
-	-	-	686,807	686,807
-	-	-	99,392	99,392
939,112	82,224	286,390	806,675	2,632,857
102,712	37,797	(39,078)	215,144	352,628
-	-	-	5,111	101,076
-	-	-	(81,184)	(177,149)
-	-	-	(76,073)	(76,073)
102,712	37,797	(39,078)	139,071	276,555
550,843	140,945	112,142	(237,952)	565,978
\$ 653,555	\$ 178,742	\$ 73,064	\$ (98,881)	\$ 842,533

City of River Rouge, Michigan

Trust and Agency Funds Combining Balance Sheet June 30, 2005

	Agency Fund - 26th District Court Division I	Trust Funds - Retirement Systems	Total
Assets			
Cash and cash equivalents	\$ 106,289	\$ 1,443,259	\$ 1,549,548
Marketable securities	-	36,519,897	36,519,897
Accrued interest receivable	-	78,937	78,937
Total assets	<u>\$ 106,289</u>	<u>\$ 38,042,093</u>	<u>\$ 38,148,382</u>
Liabilities and Fund Balances			
Liabilities			
Due to other governmental units	\$ 12,192	\$ -	\$ 12,192
Due to other funds	46,845	10,113	56,958
Deposits and other liabilities	<u>47,252</u>	<u>-</u>	<u>47,252</u>
Total liabilities	106,289	10,113	116,402
Fund Balances - Reserved for retirement funds	<u>-</u>	<u>38,031,980</u>	<u>38,031,980</u>
Total liabilities and fund balances	<u>\$ 106,289</u>	<u>\$ 38,042,093</u>	<u>\$ 38,148,382</u>

City of River Rouge, Michigan

Trust Funds Pension Retirement Systems Combining Balance Sheet June 30, 2005

	General Employees' Retirement System	Policemen and Firemen Retirement System	Total
Assets			
Cash and cash equivalents	\$ 442,836	\$ 1,000,423	\$ 1,443,259
Marketable securities	10,895,431	25,624,466	36,519,897
Accrued interest receivable	<u>38,473</u>	<u>40,464</u>	<u>78,937</u>
Total assets	<u>\$ 11,376,740</u>	<u>\$ 26,665,353</u>	<u>\$ 38,042,093</u>
Liabilities and Fund Balances			
Liabilities - Due to other funds	\$ -	\$ 10,113	\$ 10,113
Fund Balances - Reserved for retirement funds	<u>11,376,740</u>	<u>26,655,240</u>	<u>38,031,980</u>
Total liabilities and fund balances	<u>\$ 11,376,740</u>	<u>\$ 26,665,353</u>	<u>\$ 38,042,093</u>

City of River Rouge, Michigan

Trust Funds - Pension Retirement Systems Combining Statement of Changes in Plan Net Assets Year Ended June 30, 2005

	General Employees' Retirement System	Policemen and Firemen Retirement System	Total
Additions			
Investment income:			
Interest and dividends	\$ 346,236	\$ 775,123	\$ 1,121,359
Net appreciation in fair value of investments	353,731	1,214,026	1,567,757
Other	15,442	10,638	26,080
Net investment income	715,409	1,999,787	2,715,196
Contributions:			
Employer	74,032	191,451	265,483
Employees	83,015	176,970	259,985
Total additions	872,456	2,368,208	3,240,664
Deductions			
Benefit payments	1,790,151	2,638,015	4,428,166
Administrative expenses	126,956	273,432	400,388
Total deductions	1,917,107	2,911,447	4,828,554
Net Decrease in Net Assets Held in Trust for Pension Benefits	(1,044,651)	(543,239)	(1,587,890)
Net Assets Held in Trust for Pension Benefits			
Beginning of year	12,421,391	27,198,479	39,619,870
End of year	<u>\$ 11,376,740</u>	<u>\$ 26,655,240</u>	<u>\$ 38,031,980</u>

City of River Rouge, Michigan

Schedule of Bonded Indebtedness June 30, 2005

Description	Interest	Date of Maturity	Amount of	Principal Outstanding	
	Rate		Annual	June 30	
	(Percent)		Maturity	2005	2004
State Revolving Fund Loan - Downriver					
Date of issue - July 1996 (3 issues)					
Amount of issue - \$2,193,579					
	2.25	10/01/04	\$ 98,426	\$ -	\$ 98,426
	2.25	10/01/05	100,647	100,647	100,647
	2.25	10/01/06	102,841	102,841	102,841
	2.25	10/01/07	105,293	105,293	105,293
	2.25	10/01/08	107,744	107,744	107,744
	2.25	10/01/09	109,964	109,964	109,964
	2.25	10/01/10	112,623	112,623	112,623
	2.25	10/01/11	115,306	115,306	115,306
	2.25	10/01/12	117,734	117,734	117,734
	2.25	10/01/13	120,574	120,574	120,574
	2.25	10/01/14	123,052	123,052	123,052
	2.25	10/01/15	126,125	126,125	126,125
	2.25	10/01/16	128,574	128,574	128,574
	2.25	10/01/17	130,914	130,914	130,914
	2.25	10/01/18	125,767	125,767	125,771
Total				1,627,158	1,725,588

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest	Date of Maturity	Amount of	Principal Outstanding	
	Rate		Annual	June 30	
	(Percent)		Maturity	2005	2004
State Revolving Fund Loan - Downriver (Continued)					
Date of issue - July 1994 (2 issues)					
Amount of issue - \$753,692					
	2.00	10/01/04	\$ -	\$ -	\$ 36,041
	2.00	10/01/05	37,226	37,226	37,226
	2.00	10/01/06	37,701	37,701	37,701
	2.00	10/01/07	38,649	38,649	38,649
	2.00	10/01/08	39,598	39,598	39,598
	2.00	10/01/09	40,546	40,546	40,546
	2.00	10/01/10	41,494	41,494	41,494
	2.00	10/01/11	42,206	42,206	42,206
	2.00	10/01/12	43,391	43,391	43,391
	2.00	10/01/13	44,340	44,340	44,340
	2.00	10/01/14	45,289	45,289	45,289
	2.00	10/01/15	41,031	41,031	41,031
Total				451,471	487,512

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2005	2004
State Revolving Fund Loan - Downriver (Continued)					
Date of issue - July 1997 (2 issues)					
Amount of issue - \$222,750					
	2.25	10/01/04	\$ 9,784	\$ -	\$ 9,784
	2.25	10/01/05	10,064	10,064	10,064
	2.25	10/01/06	10,340	10,340	10,340
	2.25	10/01/07	10,620	10,620	10,620
	2.25	10/01/08	10,899	10,899	10,899
	2.25	10/01/09	10,937	10,937	10,937
	2.25	10/01/10	11,461	11,461	11,461
	2.25	10/01/11	11,503	11,503	11,503
	2.25	10/01/12	11,788	11,788	11,788
	2.25	10/01/13	12,068	12,068	12,068
	2.25	10/01/14	12,598	12,598	12,598
	2.25	10/01/15	12,643	12,643	12,643
	2.25	10/01/16	12,928	12,928	12,928
	2.25	10/01/17	13,217	13,217	13,217
	2.25	10/01/18	13,512	13,512	13,512
	2.25	10/01/19	2,227	2,227	2,227
	2.25	10/01/20	2,281	2,281	2,281
Total				169,086	178,870

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest	Date of Maturity	Amount of	Principal Outstanding	
	Rate		Annual	June 30	
	(Percent)		Maturity	2005	2004
State Revolving Fund Loan - Downriver (Continued)					
Date of issue - July 1998 (3 issues)					
Amount of issue - \$512,365					
	2.25	10/01/04	\$ 22,351	\$ -	\$ 22,351
	2.25	10/01/05	22,996	22,996	22,996
	2.25	10/01/06	23,425	23,425	23,425
	2.25	10/01/07	24,069	24,069	24,069
	2.25	10/01/08	24,501	24,501	24,501
	2.25	10/01/09	25,146	25,146	25,146
	2.25	10/01/10	25,577	25,577	25,577
	2.25	10/01/11	26,220	26,220	26,220
	2.25	10/01/12	26,866	26,866	26,866
	2.25	10/01/13	27,511	27,511	27,511
	2.25	10/01/14	28,155	28,155	28,155
	2.25	10/01/15	28,800	28,800	28,800
	2.25	10/01/16	29,445	29,445	29,445
	2.25	10/01/17	30,092	30,092	30,092
	2.25	10/01/18	30,737	30,737	30,737
	2.25	10/01/19	31,384	31,384	31,384
	2.25	10/01/20	565	565	565
Total				405,489	427,840

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest	Date of Maturity	Amount of	Principal Outstanding	
	Rate		Annual	June 30	
	(Percent)		Maturity	2005	2004
State Revolving Fund Loan - Downriver (Continued)					
Date of issue - July 1999 (2 issues)					
Amount of issue - \$246,649					
	2.25	4/01/05	\$ 10,438	\$ -	\$ 10,438
	2.25	4/01/06	10,675	10,675	10,675
	2.25	4/01/07	10,912	10,912	10,912
	2.25	4/01/08	11,149	11,149	11,149
	2.25	4/01/09	11,385	11,385	11,385
	2.25	4/01/10	11,622	11,622	11,622
	2.25	4/01/11	12,145	12,145	12,145
	2.25	4/01/12	12,382	12,382	12,382
	2.25	4/01/13	12,619	12,619	12,619
	2.25	4/01/14	12,856	12,856	12,856
	2.25	4/01/15	13,330	13,330	13,330
	2.25	4/01/16	13,567	13,567	13,567
	2.25	4/01/17	14,091	14,091	14,091
	2.25	4/01/18	14,328	14,328	14,328
	2.25	4/01/19	14,802	14,802	14,802
	2.25	4/01/20	15,042	15,042	15,042
	2.25	4/01/21	15,167	15,167	15,163
Total				206,072	216,506
Total State Revolving Fund Loans - Downriver				\$ 2,859,276	\$ 3,036,316

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest	Date of Maturity	Amount of	Principal Outstanding	
	Rate		Annual	June 30	
	(Percent)		Maturity	2005	2004
Downriver Sewage Disposal Systems Bonds - Series A					
Date of issue - July 1994					
Amount of issue - \$140,600					
	7.00	11/01/04	\$ 7,000	\$ -	\$ 7,000
	7.00	11/01/05	7,000	7,000	7,000
	7.00	11/01/06	7,600	7,600	7,600
	7.00	11/01/07	8,000	8,000	8,000
	7.00	11/01/08	9,000	9,000	9,000
	7.00	11/01/09	10,000	10,000	10,000
	7.00	11/01/10	10,000	10,000	10,000
	7.00	11/01/11	11,000	11,000	11,000
	7.00	11/01/12	12,000	12,000	12,000
	7.00	11/01/13	13,000	13,000	13,000
				\$ 87,600	\$ 94,600

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2005	2004
State of Michigan Revolving Fund Loan - CSO Project					
Date of issue - September 28, 1995					
Amount of issue - \$5,860,000					
	2.25	10/01/04	\$ 260,000	\$ -	\$ 260,000
	2.25	10/01/05	270,000	270,000	270,000
	2.25	10/01/06	275,000	275,000	275,000
	2.25	10/01/07	280,000	280,000	280,000
	2.25	10/01/08	285,000	285,000	285,000
	2.25	10/01/09	295,000	295,000	295,000
	2.25	10/01/10	300,000	300,000	300,000
	2.25	10/01/11	310,000	310,000	310,000
	2.25	10/01/12	315,000	315,000	315,000
	2.25	10/01/13	320,000	320,000	320,000
	2.25	10/01/14	330,000	330,000	330,000
	2.25	10/01/15	335,000	335,000	335,000
	2.25	10/01/16	345,000	345,000	345,000
	2.25	10/01/17	350,000	350,000	350,000
	2.25	10/01/18	360,000	283,131	360,000
				4,293,131	4,630,000
			Less amounts not drawn	-	(48,401)
Total State of Michigan Revolving Fund Loan - CSO Project				\$ 4,293,131	\$ 4,581,599

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
	Rate			June 30	
	(Percent)			2005	2004
Wayne County Local Government Loan Program Revenue Bonds - CSO Project					
Date of issue - November 16, 1995					
Amount of issue - \$16,300,000					
	4.700	11/01/04	\$ 655,000	\$ -	\$ 655,000
	4.800	11/01/05	685,000	685,000	685,000
	4.900	11/01/06	720,000	720,000	720,000
	5.000	11/01/07	755,000	755,000	755,000
	5.100	11/01/08	795,000	795,000	795,000
	5.150	11/01/09	835,000	835,000	835,000
	5.250	11/01/10	875,000	875,000	875,000
	5.300	11/01/11	920,000	920,000	920,000
	5.375	11/01/12	970,000	970,000	970,000
	5.375	11/01/13	1,025,000	1,025,000	1,025,000
	5.375	11/01/14	1,080,000	1,080,000	1,080,000
	5.375	11/01/15	1,135,000	1,135,000	1,135,000
	5.375	11/01/16	1,200,000	1,200,000	1,200,000
	5.375	11/01/17	1,260,000	1,260,000	1,260,000
Total Wayne County Local Government Loan Program Revenue Bonds - CSO Project				\$ 12,255,000	\$ 12,910,000

City of River Rouge, Michigan

Schedule of Bonded Indebtedness (Continued) June 30, 2005

Description	Interest	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
	Rate			June 30	
	(Percent)			2005	2004
State of Michigan Fiscal Stabilization Bonds, Series 2002B					
Date of issue - November 1, 2002					
Amount of issue - \$6,805,000					
	2.000	11/01/04	\$ 130,000	\$ -	\$ 130,000
	2.000	11/01/05	135,000	135,000	135,000
	2.300	11/01/06	135,000	135,000	135,000
	2.700	11/01/07	140,000	140,000	140,000
	3.000	11/01/08	145,000	145,000	145,000
	3.200	11/01/09	145,000	145,000	145,000
	3.500	11/01/10	150,000	150,000	150,000
	3.600	11/01/11	155,000	155,000	155,000
	3.700	11/01/12	165,000	165,000	165,000
	4.000	11/01/13	170,000	170,000	170,000
	4.000	11/01/14	175,000	175,000	175,000
	4.200	11/01/15	185,000	185,000	185,000
	4.375	11/01/16	190,000	190,000	190,000
	4.500	11/01/17	200,000	200,000	200,000
	4.600	11/01/18	210,000	210,000	210,000
	4.700	11/01/19	215,000	215,000	215,000
	4.750	11/01/20	230,000	230,000	230,000
	5.000	11/01/21	240,000	240,000	240,000
	5.000	11/01/22	250,000	250,000	250,000
	5.000	11/01/23	265,000	265,000	265,000
	5.000	11/01/24	275,000	275,000	275,000
	5.000	11/01/25	290,000	290,000	290,000
	5.000	11/01/26	305,000	305,000	305,000
	5.000	11/01/27	320,000	320,000	320,000
	5.000	11/01/28	335,000	335,000	335,000
	5.000	11/01/29	350,000	350,000	350,000
	5.000	11/01/30	370,000	370,000	370,000
	5.000	11/01/31	390,000	390,000	390,000
	5.000	11/01/32	410,000	410,000	410,000
Total State of Michigan fiscal stabilization bonds				\$ 6,545,000	\$ 6,675,000